

EXPLANATION OF H.R. 13705, SECTION 8

H.R. 13705 was introduced by Mr. Philbin on 26 October 1967 and amends the Central Intelligence Agency Retirement Act of 1964 for Certain Employees.

Section 8 of H.R. 13705 closes the gap between the CIA and other major Federal retirement systems on cost-of-living adjustment of annuities. The gap stems from the fact that the CIA retirement system is operating under an old formula and the other systems, such as military and Civil Service, are operating under a new formula. The new formula reduces from one year to three months the period over which increases in the Consumer Price Index must be maintained and permits increases to be applied to retirees on a more current basis. On 1 May 1968 the gap between the percentage increases in force and effect under the Civil Service and the CIA systems had reached 12.2 percent for 1965 retirees, 9 percent for 1966 retirees, and 3.9 percent for 1967 and some 1968 retirees. If this gap continues much longer it will substantially weaken the effectiveness of the CIA retirement system and inevitably effect the morale of those covered by it.

Section 8 of H.R. 13705 will conform the cost-of-living feature of the CIA Retirement Act to that found in the other major Federal retirement systems and will assure that future cost-of-living adjustments under the CIA retirement system will be precisely in phase with those granted under the Civil Service system and will provide as of 1 January 1967 a catchup increase to the percentage increase in force and effect under the Civil Service system.

In view of the pressing need to correct this situation, the Agency has agreed to defer all other provisions in H.R. 13705 to a more opportune time and anticipates favorable consideration of this one provision by the legislative committee in the other body.